

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02 PA-01

PRS-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06

XMB-02 OPIC-03 LAB-04 SIL-01 AGR-05 PC-01 /091 W

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R 151226Z JAN 76

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 3420

INFO AMEMBASSY DACCA

AMEMBASSY KATHMANDU

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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EO 11652: NA

TAGS: ETRD, IN, BG

SUBJ: TRADE TALKS BETWEEN INDIA AND BANGLADESH

REF: NEW DELHI 0693

SUMMARY. INDIA AND BANGLADESH HAVE AGREED TO WORK OUT  
LONG TERM COMMERCIAL ARRANGEMENTS FOR SHIPMENTS OF  
COAL AND NEWSPRINT IN AN ATTEMPT TO INCREASE TRADE  
BETWEEN THEM. THE TRADE TALKS ALSO DISCUSSED POSSI-  
BILITIES OF INCREASING BANGLADESH EXPORTS TO INDIA  
TO RECTIFY PARTIALLY THE PRESENT TRADE IMBALANCE.  
END SUMMARY

1. AFTER SIX DAYS OF TALKS INDIA AND BANGLADESH  
AGREED ON JANUARY 12 TO MAKE LONG-TERM COMMERCIAL  
ARRANGEMENTS FOR COAL AND NEWSPRINT. ACCORDING TO  
P.C. ALEXANDER, SECRETARY, DEPARTMENT OF FOREIGN  
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TRADE, WHO WAS LEADER OF THE GOI DELEGATION, AN

INDIAN TEAM FROM THE MINERALS AND METALS TRADING CORPORATION WILL BE VISITING Dacca LATER THIS MONTH TO DISCUSS LONGER TERM COAL EXPORTS. HE NOTED THAT INDIA WOULD BE ABLE TO MEET ALL OF BANGLADESH'S COAL REQUIREMENTS EVEN IF THEY EXCEEDED 500,000 MT PER YEAR, PROVIDED THAT A MUTUALLY ADVANTAGEOUS PRICE COULD BE WORKED OUT. ALSO, THE BDG WILL REPORTEDLY IMPORT FROM INDIA APPROXIMATELY 350,000 MT OF COAL BEFORE THE END OF FEBRUARY 1976 IN ACCORDANCE WITH AN EXISTING CONTRACT. REGARDING THE IMPORT OF BANGLADESH NEWSPRINT, OFFICIALS FROM THE TRADING CORPORATIONS OF THE TWO COUNTRIES ARE PLANNING BEFORE MID-YEAR TO HAVE DISCUSSIONS ABOUT LONG-RUN TRADING ARRANGEMENTS. ALEXANDER REPORTEDLY SAID THAT INDIA WANTED TO TREAT BANGLADESH AS AN IMPORTANT SOURCE OF SUPPLY OF NEWSPRINT, COULD IMPORT ABOUT 5,000 MT ANNUALLY, AND HAD BEEN RECENTLY UNABLE TO BUY MORE NEWSPRINT FROM BANGLADESH BECAUSE THERE WAS A PRESENT SURPLUS OF 35,000 MT IN STOCK IN INDIA.

2. THE BANGALEES ALSO OFFERED TO EXPORT TO INDIA 15,000 BALES OF JUTE CUTTINGS AND REJECTIONS PLUS 117,000 BALES OF JUTE FOR WHICH CONTRACTS HAD ALREADY BEEN FINALIZED. THE INDIANS APPARENTLY AGREED. THE TWO DELEGATIONS CONSIDERED TRANSPORT AND QUALITY CONTROL ARRANGEMENTS FOR THE SHIPMENT OF FISH FROM BANGLADESH. THE BANGALEES HOPE TO EXPORT TO INDIA FISH WORTH ABOUT 35 MILLION RUPEES THIS YEAR BECAUSE THEY CONSIDER THEIR PRICES VERY COMPETITIVE. ALSO DISCUSSED WERE METHODS OF INCREASING THE TRADE OF SUCH ITEMS AS TOBACCO, TEXTILES AND ENGINEERING GOODS. THE TWO COUNTRIES AGREED TO CONTINUE TO MAKE ALL PAYMENTS FOR TRADE IN CONVERTIBLE CURRENCIES.

3. IN ANOTHER DEVELOPMENT A DRAFT AGREEMENT WAS REPORTEDLY APPROVED CONVERTING THE OUTSTANDING AMOUNT OF INDIA'S TECHNICAL CREDIT TO BANGLADESH, TOTALING 49 MILLION RUPEES, INTO AN INTERGOVERNMENTAL LOAN REPAYABLE IN INSTALLMENTS BY MARCH 1977. FINAL AGREEMENT ON THIS MATTER IS SUPPOSED TO BE SIGNED BY LIMITED OFFICIAL USE

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THE END OF NEXT MONTH.

4. MINISTRY OF COMMERCE JOINT SECRETARY VARMA TOLD EMBOFF THAT THE TRADE TALKS WERE THE FIRST SINCE AGREEMENT HAD BEEN REACHED A YEAR AGO TO MAKE PAYMENTS IN CONVERTIBLE CURRENCIES. HE EXPECTED THAT PROGRESS WOULD BE SLOW IN REACHING LONG-TERM PURCHASING ARRANGEMENTS, AND THAT THE FIRST MEETING IN

DACCA TO DISCUSS COAL SHIPMENTS WOULD BE PRELIMINARY. HE NOTED THAT THE TWO COUNTRIES WOULD PROBABLY AGREE TO A QUANTITY RANGE FOR INDIAN EXPORTS OF COAL TO BANGLADESH, WHICH DID NOT SEEM TO KNOW ITS EXACT ANNUAL REQUIREMENT. THE PRICE OF COAL WOULD PROBABLY BE SOMEWHAT FLEXIBLE. VARMA THOUGHT THAT THE AMOUNT AND PRICE OF NEWSPRINT IMPORTS FROM BANGLADESH WOULD PROBABLY BE FIXED.

5. ACCORDING TO VARMA, THE GOINAS WORRIED ABOUT THE SMALL QUANTITY OF BENGAL GOODS PURCHASED BY INDIA AND THE CONSEQUENT TRADE IMBALANCE (SEE BELOW). HE SAID IT WAS IN THE INTEREST OF BOTH COUNTRIES TO HAVE A REASONABLE BALANCE OF TRADE BETWEEN THEM. VARMA CLAIMED THAT HE COULD NOT MAKE ANY PROJECTIONS OF FUTURE INDIA-BANGLADESH TRADE BECAUSE OF THE UNCERTAIN POLITICAL SITUATION IN DACCA AND THE FRAGILITY OF THE GOVERNMENT THERE.

6. COMMENT. TRADE BETWEEN THE COUNTRIES HAD DECLINED MARKEDLY IN THE PAST YEAR, PARTICULARLY INDIAN PURCHASES OF BANGLADESH GOODS, AND IS PRESENTLY AT A LOW EBB. IN JULY-DECEMBER 1975 INDIAN EXPORTS TO BANGLADESH AMOUNTED TO 165 MILLION RUPEES (COMPARED TO 422 MILLION RUPEES FOR THE TWELVE MONTHS ENDING JUNE 1975). AND INDIAN IMPORTS ONLY 9 MILLION RUPEES (COMPARED TO 92 MILLION RUPEES FOR THE TWELVE MONTHS ENDING JUNE 1975). IN THE SECOND HALF OF 1975 INDIAN EXPORTS TO BANGLADESH AMOUNTED TO APPROXIMATELY ONE PERCENT OF TOTAL INDIAN EXPORTS, WHILE PURCHASES OF BANGLADESH GOODS CONSTITUTED ONLY ABOUT ONE TWENTIETH OF ONE PERCENT OF TOTAL INDIAN IMPORTS. LIMITED OFFICIAL USE

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IMPLEMENTATION OF THE NEW AGREEMENTS SHOULD RESTORE TRADE TO AT LEAST MODEST LEVELS BETWEEN THE TWO NEIGHBORS. SAXBE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC COOPERATION, TRADE, NEGOTIATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 15 JAN 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976NEWDE00778  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760017-0547  
**From:** NEW DELHI  
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**Line Count:** 158  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION NEA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
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**Previous Handling Restrictions:** n/a  
**Reference:** 76 NEW DELHI 693  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** morefirh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 07 JUN 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <07 JUN 2004 by GarlanWA>; APPROVED <08 JUN 2004 by morefirh>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** TRADE TALKS BETWEEN INDIA AND BANGLADESH  
**TAGS:** ETRD, IN, BG  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006